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IAC-D-55/11.2
Second Draft
(Revised)
9 August 1956
TS #102497-b

INTELLIGENCE ADVISORY COMMITTEE

Annual Report to the National Security Council
on the
Status of the Foreign Intelligence Program

1. We are forwarding herewith various pages (ii,iii,iv,v,vi, vii,viii,6,9a,10,11,16,19,21,26,27a,30,31,33,34,36,38,39-42) of the draft annual report, revised pursuant to agreement at the representatives meeting on 9 August. These pages should be substituted for corresponding pages of the 7 August draft (IAC-D-55/11.2, Second Draft). An additional change sheet incorporating minor agreed alterations or deletions in the text is also enclosed.

2. With respect to annexes to this report, Annex A (a copy of which is attached) provides reference to those National Security Council Intelligence Directives under which activities covered in the various sections of the report were undertaken or to which they were relevant. Annex B will consist of a copy of the three-year fiscal projection of the foreign intelligence program, previously approved by the IAC and submitted to the NSC on 15 July (IAC-D-55/10, etc.). Annex C will be comprised of a report containing material called for by NSC action 1430 n, which has been coordinated by CIA with the Department of Defense, as appropriate. This annex will be cross-referenced to relevant sections of the Annual Report. Because of the high security sensitivity of this annex, copies are not being circulated, and we expect to forward it to the NSC in two copies only. However, these copies of annex C will be available to IAC members and agencies through the Executive Secretary, NSC, on a need-to-know basis.

3. This report has been placed on the agenda of the IAC meeting scheduled for 14 August.

WILLIAM P. BUNDY
Secretary
IAC

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Evaluation of Soviet Capabilities and Intentions

The field of political intelligence has profited from the greater accessibility of Soviet personalities and the opportunities for wider contacts within the USSR which have resulted from the turn in Soviet policy in the post-Stalin period. On the whole, we can probably have somewhat greater confidence than formerly in our estimates of probable Soviet courses of action in the foreign policy field. Nevertheless, despite the gains in this respect,

there

are many aspects of the Soviet political scene which remain obscure. In assessing political developments within the USSR, we continue to feel fairly sure of our analyses of short-term trends, ^{we are uncertain about} but the basic interplay of forces producing future policy, e.g., personality relationships, the reasoning behind the announced reductions in military forces, the effect within the USSR of the denigration of Stalin, and the impact of economic problems on policy. Externally, the intensification of the diplomatic offensive of the Sino-Soviet Bloc poses increased intelligence problems of evaluating Bloc intentions and capabilities and the vulnerabilities of the target areas, particularly in connection with the

(Revised 9 August 1956)

- iii -

TOP SECRET